



**Health Services**  
LOS ANGELES COUNTY

May 1, 2007

**Los Angeles County  
Board of Supervisors**

**Gloria Molina**  
First District

**Yvonne B. Burke**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF LETTERS OF UNDERSTANDING WITH PROVIDERS  
IN THE ANTELOPE VALLEY AREA**  
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

**Bruce A. Chernof, MD**  
Director and Chief Medical Officer

**John R. Cochran III**  
Chief Deputy Director

**Robert G. Splawn, MD**  
Senior Medical Director

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

*To improve health  
through leadership,  
service and education*

- ~~1. Delegate authority to the Director of Health Services or his designee (hereafter "Director") to execute Letters of Understanding, substantially similar to Exhibit I, with independent physicians in the Antelope Valley for the provision of primary care services to Community Health Plan members formerly enrolled with Blue Cross of California's Medi-Cal Managed Care Program (Medi-Cal) and future CHP members residing or working in the Antelope Valley for any or all CHP product lines, effective upon date of Board approval through April 30, 2008, unless earlier terminated by either party or replaced by a definitive Agreement described in the second Recommendation immediately below.~~
- ~~2. Delegate authority to the Director to offer, negotiate and enter into primary care agreements with independent physicians to support the expansion of the Community Health Plan in the Antelope Valley, effective upon date of execution up to March 31, 2009, upon prior approvals by County Counsel and the Chief Administrative Office.~~
3. Ratify the Department's prior acceptance of a Letter of Understanding with Antelope Valley Hospital to ensure that the Community Health Plan fulfill its Knox-Keene licensure and regulatory requirements.

Approved on 5-1-07;  
Agenda No. 81-F.

Approved on 5-1-07;  
Agenda No. 81-F.

**PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:**

The recommended actions require Board approval as follows:

1. To ensure that the Community Health Plan (CHP) is able to maintain sufficient capacity, preserve the doctor-patient relationship, provide for continuity of care, and enhance member retention for the nearly 3,000 new Medi-Cal members who will be transferred from Blue Cross to CHP by L.A. Care effective May 1, 2007. CHP will assign these members to the High Desert Health System.
2. To ensure that CHP is able to provide the same for future enrollees who are residing or working in the Antelope Valley under all CHP product lines.



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3. To ratify the Department's acceptance of a Letter of Understanding with Antelope Valley Hospital (AVH) (Attachment B), to ensure that CHP fulfill its Knox-Keene licensure and regulatory requirements in Antelope Valley, which was executed on an emergency basis.

FISCAL IMPACT/FINANCING:

The cost of health care services for each new CHP member is as follows:

1. Medi-Cal Program is 100% offset by State and Federal funds received from L.A. Care Health Plan (L.A. Care) on a capitated per member, per month basis for each Medi-Cal beneficiary enrolled in CHP under the State's Two-Plan Managed Care Program,
2. Healthy Families Program is 100% offset by State and Federal funds received from the State's Managed Risk Medical Insurance Board on a capitated per member, per month basis for each Healthy Families Program beneficiary, and
3. PASC-SEIU Health Care Plan is 82.3% offset by State and Federal funds, with the remaining 17.7% covered by net County costs, on a capitated per member, per month basis for each PASC-SEIU Health Care Plan subscriber.

While the initial usage of these independent primary care physicians is for Medi-Cal beneficiaries only, these physicians can also be selected by Healthy Family Program participants and IHSS Workers in the Antelope Valley.

The Department may need to seek subsequent Board approval for an appropriation adjustment for High Desert Health System to cover the cost of services for the additional 3,000 new members for the remaining two months of this Fiscal Year (FY). Continued funding will be requested for FYs 2007-08 and 2008-09.

The reimbursement rates that will be used to pay independent physicians are on file with the Office of Managed Care (OMC) and are kept confidential in accordance with section 1457 of the California Health and Safety Code. These rates will be shared with the Board Office, the Chief Administrative Office (CAO), and County Counsel upon request.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Community Health Plan

CHP is a State-licensed health plan and federally qualified Health Maintenance Organization (HMO) administered by the Department's Office of Managed Care, and is licensed and regulated by the State's Department of Managed Health Care (DMHC). Among other things, DMHC requires licensed health plans to maintain agreements with network providers, and to reimburse non-contracted providers in a timely basis.

Ratification of the Letter of Understanding with Antelope Valley Hospital

On December 31, 2004, CHP's agreement with AVH expired, and was not renewed as a result of both parties being unable to reach agreement on terms and conditions. Despite this impasse, AVH agreed to continue services as a non-contracted provider for CHP members, and continue to receive reimbursement using the same previous contract rates.

On March 8, 2007, L.A. Care notified CHP that nearly 15,000 Blue Cross Medi-Cal members will be transferred to other Plan Partners who hold written agreements with AVH in the event that Blue Cross and AVH were unable to renew their Medi-Cal contract expiring on April 30, 2007. L.A. Care further instructed CHP that it had until March 15, 2007 to submit evidence of a contract. Otherwise, CHP could not qualify to receive any Blue Cross members. This situation incentivized AVH to establish a written agreement with CHP. While CHP and AVH desire to establish a written agreement, both parties agreed to execute a Letter of Understanding to meet L.A. Care's March 15, 2007 deadline. This LOU contains the same rates that expired in 2004. Although such letter did not receive prior Board approval, it did result in the transfer of nearly 4,000 Blue Cross members to CHP of which 3,000 members reside or work in the Antelope Valley. The Department seeks Board ratification of this letter to fully disclose the circumstances leading to its development and execution. An informal Board memo was in its final drafting stage when the physician expansion opportunity arose. CHP chose to package all related issues in this Board letter.

#### Proposed Letter of Understanding with Blue Cross Physicians

On April 26, 2007, L.A. Care advised CHP that Care 1<sup>st</sup> Health Plan, the only other Plan Partner qualified to receive Blue Cross members, increased the number of its contracts with former Blue Cross physicians in Antelope Valley. As a result, L.A. Care further advised CHP, that unless CHP could provide evidence of a contract with certain former Blue Cross physicians, L.A. Care will transfer a significant number of CHP's 3,000 new members to Care 1<sup>st</sup> Health Plan to preserve the physician-patient relationship.

While the Board delegated authority to the Director to offer CHP agreements to physician groups and hospitals, the Director does not have the authority to execute individual independent physician agreements. As such, the Department is requesting Board approval to execute Letters of Understanding with independent physicians for the provision of primary care services in Antelope Valley, whereby specialty care will be provided by the High Desert Health System cluster, and emergency outpatient, and inpatient care will be provided by AVH and/or Olive View Medical Center. Approval of these letters will have the added benefit of maintaining sufficient primary care provider capacity in Antelope Valley, preserving the doctor-patient relationship, providing for continuity of care, and enhancing member retention.

#### Independent Physician Agreements

CHP is currently developing independent physician templates, and plans to seek Board approval within three months.

Exhibit I has been reviewed and approved as to form by County Counsel. Attachment A provides additional information.

#### CONTRACTING PROCESS:

Not applicable.


The Honorable Board of Supervisors  
May 1, 2007  
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IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval will allow CHP to satisfy State regulations and Knox-Keene licensure requirements, and retain nearly 3,000 members formerly enrolled under Blue Cross with additional benefits as described hereinabove.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Chernof", is written over the printed name.

Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

BAC:ck

Attachments (3)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Office of Managed Care

**SUMMARY OF AGREEMENT****1. TYPE OF SERVICES:**

The proposed Letters of Understanding with independent physicians provide primary care services to CHP members residing in Antelope Valley for any or all CHP product lines. Specialty care will be provided by the High Desert Health System cluster, and emergency, outpatient, and inpatient care will be provided by Antelope Valley Hospital and/or Olive View Medical Center.

**2. TERM OF AGREEMENT:**

Date of Board approval through April 30, 2008, unless earlier terminated or replaced with a Board-approved agreement.

**3. FINANCIAL INFORMATION:**

The cost of health care services for each CHP member is as follows:

1. Medi-Cal Program is 100% offset by State and Federal funds received from L.A. Care Health Plan (L.A. Care) on a capitated per member, per month basis for each Medi-Cal beneficiary enrolled in CHP under the State's Two-Plan Managed Care Program,
2. Healthy Families Program is 100% offset by State and Federal funds received from the State's Managed Risk Medical Insurance Board on a capitated per member, per month basis for each Healthy Families Program beneficiary, and
3. PASC-SEIU Health Care Plan is 82.3% offset by State and Federal funds, with the remaining 17.7% covered by net County costs, on a capitated per member, per month basis for each PASC- SEIU Health Care Plan subscriber.

The Department may need to seek subsequent Board approval for an appropriation adjustment for High Desert Health System to cover the cost of services for the additional 3,000 new members for the remaining two months of this Fiscal Year (FY). Continued funding will be requested for FYs 2007-08 and 2008-09.

The reimbursement rates that will be used to pay independent physicians are on file with the Office of Managed Care (OMC) and are kept confidential in accordance with section 1457 of the California Health and Safety Code. These rates will be shared with the Board Office, the Chief Administrative Office (CAO), and County Counsel.

**4. PERSON ACCOUNTABLE FOR PROGRAM MONITORING:**

Teri D. Lauenstein, Director of the Office of Managed Care

**5. PRIMARY GEOGRAPHIC AREA TO BE SERVED:**

Antelope Valley

**6. APPROVALS:**

Office of Managed Care:  
Contracts Administration & Capital Planning:  
County Counsel:

Teri D. Lauenstein, Director  
Fred Leaf, Deputy  
Edward Yen, Deputy County Counsel

## LETTER OF UNDERSTANDING

This Letter of Understanding ("LOU") is made and entered into effective March 15, 2007 ("Effective Date"), by and between Antelope Valley Hospital ("Hospital"), a not-for-profit Antelope Valley Healthcare District medical facility and Community Health Plan ("CHP"), a State-licensed health plan. Hospital and CHP are each referred herein as a "Party" and collectively as the "Parties."

### RECITAL

The Parties desire to enter into this interim arrangement, which shall set forth the rates of reimbursement for the provision of services provided by Hospital to CHP enrollees until such time as the Parties enter into a definitive agreement.

#### 1. Definitions

"Covered Services" means the hospital services, products, supplies and related services that are covered under Enrollee's benefit program.

"Enrollee" means an individual CHP member or subscriber (together with eligible dependents) who is enrolled in and eligible to receive Covered Services under the terms of an agreement with CHP and has designated a CHP physician as his or her primary care physician.

#### 2. Licensure and Standards

Hospital is duly licensed, certified or accredited to provide the Covered Services, and shall assure that the Covered Services are provided by duly licensed, certified or otherwise authorized or accredited personnel. Covered Services shall be provided in accordance with and Hospital shall comply with: (a) generally accepted medical and surgical practices and standards prevailing in the applicable professional community; (b) all federal, state and local statutes, regulations, ordinances and requirements and accreditation requirements applicable to CHP; Hospital and Covered Services, including, without limitation, the Knox-Keene Act Health Care Service Act of 1975.

#### 3. Billing and Payment

Hospital shall use reasonable efforts to bill CHP to the attention of Steve Thompson, Claims Manager, at the address listed below for the Covered Services within ninety (90) days following the provision of the Covered Services. Hospital shall submit claims to CHP on the UB-92 form. CHP shall pay the Hospital for the Covered Services, at the rates set forth on Exhibits A, within thirty working (30) days after Health Plan receives the Hospital's bill.

4. Medical Records

Hospital shall maintain all patient records relating to the Covered Services provided to Enrollees in such form and containing such information as required by CHP and by applicable law. Medical records shall be maintained in a current manner that is legible, complete and organized and that enable effective patient care. Medical records shall be maintained in an accessible format and location. Upon written request, within a reasonable time frame specified by CHP, Hospital shall provide to CHP, at CHP's expense, copies of Enrollees' medical records for any of the following purposes: claims processing, verification and payment; resolution of Enrollee grievances and appeals; and other activities reasonably necessary for the proper administration of this LOU consistent with applicable laws, rules, and regulations. Hospital shall use and maintain the confidentiality of medical records in accordance with applicable laws, rules, and regulations, including but not limited to, the Health Insurance Portability and Accountability Act of 1996.

5. Member Hold Harmless

Hospital hereby agrees that in no event, including, but not limited to the failure, denial or reduction of payment by CHP, insolvency of CHP, or breach of this LOU, shall Hospital bill, charge, collect a deposit from, seek remuneration or reimbursement from, or have any recourse against any Enrollee or persons acting on their behalf (other than CHP) for Covered Services provided pursuant to this LOU. This provision shall not prohibit collection of copayments, coinsurance and deductibles.

Nothing in this Agreement shall prohibit Hospital from billing an Enrollee for the provision of health care services that are not Covered Services, subject to the following requirements: (i) Hospital shall inform Enrollees in writing before rendering any health care services that are not Covered Services that the requested services are not Covered Services and (ii) Enrollee shall agree in writing to make payment to Hospital for provision of such health care services.

6. Insurance

Hospital shall maintain, at its sole cost and expense, (a) insurance covering professional liability with limits in a minimum amount of \$1,000,000 per claim and \$3,000,000 in the aggregate, (b) workers compensation insurance as required by law, and (c) general liability insurance or insurance, including premises and personal injury, in the minimum amount of \$1,000,000 per occurrence, combined single limit bodily injury and property.

7. Term and Termination

The term of this Agreement shall begin on the Effective Date and end on twelve (12) months thereafter, unless otherwise earlier terminated. Either Party may terminate this LOU without cause at any time by giving the other Party 30 days' written notice.

This LOU will automatically terminate on the date, if any, that a definitive agreement to provide service to Enrollees is executed by the Parties. The Parties acknowledge and agree

that, while each is hopeful that the parties will be able to successfully negotiate and execute a definitive agreement for services, neither Party is obligated to enter into such an agreement.

## 8. Miscellaneous

**Entire LON.** This LON constitutes the entire understanding between the Parties with respect to the provision of, and payment for, Covered Services to the Employees.

**Amendment.** This LON may be amended by the Parties only upon mutual written consent.

**Independent Parties.** The parties are independent entities and each is solely responsible for all compensation, withholding and benefits for its own employees and agents.

**Governing Law.** The writing, interpretation and enforcement of this LON shall be governed by and construed in accordance with the laws of the State of California.

**Amadigo Valley Hospital**

BY: 

TITLE: CEO

DATE: March 13, 2007

**ADDRESS:**

Amadigo Valley Hospital  
1600 West Avenue J  
Lancaster, CA 93534

**Community Health Plan**

BY: 

TITLE: Chief Deputy Director

DATE: 3-15-07

**ADDRESS:**

Community Health Plan  
1000 South Front Street  
Building 1-2, 2nd Floor, Unit 4  
Alhambra, CA 91801



## **EXHIBIT A**

### **ANTELOPE VALLEY HOSPITAL RATE SCHEDULE**

**MEDI-CAL MANAGED CARE, HEALTHY FAMILIES, PASC-SEIU HOMECARE WORKER HEALTH  
CARE PLAN, COBRA, AND INDIVIDUAL COVERSION PLAN**

The reimbursement rates are on file with the Office of Managed Care (OMC) and are kept confidential in accordance with section 1457 of the California Health and Safety Code.

**LETTER OF UNDERSTANDING**

This Letter of Understanding (LOU) is made and entered into effective \_\_\_\_\_ (Effective Date), by and between \_\_\_\_\_ (Physician) and Community Health Plan (CHP), a State-licensed health plan. Physician and CHP are each referred herein as a “Party” and collectively as the “Parties.”

RECITAL

The Parties desire to enter into this interim arrangement, which shall set forth the rates of reimbursement for the provision of primary care services provided by Physician to Enrollees until such time as the Parties enter into a definitive agreement.

1. Definitions

“Covered Services” means the primary care services, products, supplies and related services that are covered under Program, and provided to eligible Enrollees.

“Enrollee” means an individual CHP member or subscriber (together with eligible dependents) who is enrolled in and eligible to receive Covered Services under the terms of an agreement with CHP and has designated a CHP physician as his or her primary care physician.

2. Licensure and Standards

Physician is duly licensed by the State of California to provide the Covered Services, and shall assure that the Covered Services are provided by duly licensed or certified personnel. Covered Services shall be provided in accordance with and Physician shall comply with: (a) generally accepted medical and surgical practices and standards prevailing in the applicable professional community; (b) all federal, state and local statutes, regulations, ordinances and requirements and accreditation requirements applicable to CHP, Physician and Covered Services, including, without limitation, the Knox-Keene Act Health Care Service Act of 1975, as may be amended from time-to-time.

Physician shall refer professional and ancillary specialty care to the High Desert Health System (HDHS) and hospital care to Antelope Valley Hospital and/or Olive View Medical Center. Physician further understands and agrees to cooperate with HDHS, whereby CHP has delegated HDHS to perform treatment authorization, physician and other provider credentialing, quality of care oversight, and other managed care functions on CHP’s behalf.

3. Billing and Payment

Physician shall use reasonable efforts to bill CHP within ninety (90) days following the provision of the Covered Services at the address listed below. Physician shall submit claims to CHP on the HCFA-1500 form. CHP shall pay the Physician for the Covered

Services, at the rate of \_\_\_\_\_, not to exceed actual charges, within thirty working (30) days after CHP receives the Physician's bill.

Community Health Plan  
1000 South Fremont Avenue  
Building A-9, East 2<sup>nd</sup> Floor, Unit 4  
Alhambra, CA 91803-8859  
Attention: CHP Claims Processing Unit

4. Medical Records

Physician shall maintain all patient records relating to the Covered Services provided to Enrollees in such form and containing such information as required by CHP and by applicable law. Medical records shall be maintained in a current manner that is legible, complete and organized and that enable effective patient care. Medical records shall be maintained in an accessible format and location. Upon written request, within a reasonable time frame specified by CHP/HDHS, Physician shall provide to CHP, at CHP's expense, copies of Enrollees' medical records for any of the following purposes: claims processing, verification and payment; resolution of Enrollee grievances and appeals; quality of care reviews; and other activities reasonably necessary for the proper administration of this LOU consistent with applicable laws, rules, and regulations. Physician shall use and maintain the confidentiality of medical records in accordance with applicable laws, rules, and regulations, including but not limited to, the Health Insurance Portability and Accountability Act of 1996.

5. Member Hold Harmless

Physician hereby agrees that in no event, including, but not limited to the failure, denial or reduction of payment by CHP, insolvency of CHP, or breach of this LOU, shall Physician bill, charge, collect a deposit from, seek remuneration or reimbursement from, or have any recourse against any Enrollee or persons acting on their behalf (other than CHP) for Covered Services provided pursuant to this LOU. This provision shall not prohibit collection of copayments, co-insurance and deductibles, if applicable.

Nothing in this Agreement shall prohibit Physician from billing an Enrollee for the provision of health care services that are not Covered Services, subject to the following requirements: (i) Physician shall inform Enrollees in writing before rendering any health care services that are not Covered Services that the requested services are not Covered Services and (ii) Enrollee shall agree in writing to make payment to Physician for provision of such health care services.

6. Insurance

Physician shall maintain, at its sole cost and expense, (a) insurance covering professional liability with limits in a minimum amount of \$1,000,000 per claim and \$3,000,000 in the aggregate, (b) workers compensation insurance as required by law, and (c) general liability insurance or insurance, including premises and personal injury, in the minimum amount of \$1,000,000 per occurrence, combined single limit bodily injury and property.

7. Term and Termination

The term of this Agreement shall begin on the date of Board approval and expire twelve (12) months thereafter, unless earlier cancelled, terminated, or replaced with a definitive agreement. Either Party may terminate this LOU without cause at any time by giving the other Party ninety (90) days' written notice.

This LOU will automatically terminate on the date, if any, that a definitive agreement to provide service to Enrollees is executed by the Parties. The Parties acknowledge and agree that, while each is hopeful that the parties will be able to successfully negotiate and execute a definitive agreement for services, neither Party is obligated to enter into such an agreement.

8. Miscellaneous

Entire LOU. This LOU constitutes the entire understanding between the Parties with respect to the provision of, and payment for, Covered Services to the Enrollees.

Amendment. This LOU may be amended by the Parties only upon mutual written consent.

Independent Entities. The parties are independent entities and each is solely responsible for all compensation, withholdings and benefits for its own employees and agents.

Governing Law. The validity, interpretation and performance of this LOU shall be governed by and construed in accordance with the laws of the State of California.

**(Name of Physician)**

**Community Health Plan**

**BY:** \_\_\_\_\_  
**Signature**

**BY:** \_\_\_\_\_  
**Signature**

**TITLE:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**ADDRESS:**

**ADDRESS:**

Community Health Plan  
1000 South Fremont Avenue  
Building A-9, East 2<sup>nd</sup> Floor, Unit 4  
Alhambra, CA 91803